



**Unite submission to the Low Pay Commission on the National
Minimum Wage and Apprenticeships**

This evidence is submitted by Unite the Union. Unite is the UK's largest trade union with 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, food, agriculture, education, health and not for profit sectors.

Unite welcomes the LPC's review of the existing exemption of apprentices from the national minimum wage (NMW). Unite would be happy to make further written or oral submissions on this issue.

Executive Summary

- **Unite is calling for the removal of the exemption for apprentices from the National Minimum Wage.**
- **Apprentices should be paid at least at the National Minimum Wage for their work as this is the national unskilled wage for UK workers.**
- **Low pay acts as a disincentive to the take up and completion rates of apprenticeships, especially older workers.**
- **The lowest paid apprenticeships are predominantly in the Hairdressing, Retail, Hospitality and Catering, Child care, Health and Social care sectors. These sectors predominantly employ women. This pay disparity is therefore a major equalities issue that needs to be addressed.**

- The current enforcement mechanism for low pay is too weak. The general National Minimum Wage regime would be much better.
- Public policy would benefit from the collection of higher quality data about apprentices pay rates.
- Unite is campaigning for more and better apprenticeships in particular in construction. There should also be training opportunities for older workers seeking apprenticeships.

The Unite case in detail

Exemption

1. Under current legislation apprentices under the age of 19 and older workers in the first year of apprenticeships are exempt from the national minimum wage (NMW).
2. Many modern apprenticeships now last less than one year¹. At the same time three in five apprentices are aged 16 -18². The TUC therefore estimates that around 70% of apprentices are exempt from the NMW.
3. The Low Pay Commission justified this exemption based on the principle that it was acceptable for apprentices to exchange lower pay for training that leads to higher pay in the longer term.
4. Current evidence however shows that some apprentices are being paid as little as £1.54 an hour, with low pay particularly affecting female apprentices. It is clear that some employers are using exemptions as a loophole to pay exploitative low wages which impact adversely on take up and completions and are reinforcing one of the biggest gender pay gaps in the economy.
5. Unite therefore views these exemptions as unjustifiable and is calling for all apprentices to be included in the national minimum wage.

¹ WBL Leavers, Success Rates and Average Length of Stay in weeks by sector framework, 2006/07 (www.apprenticeships.org.uk)

² Ibid.

LSC framework for apprentice pay

6. In 2005 the Learning and Skills Council (LSC) established a minimum payment framework for apprentices. In England, apprentices are paid a minimum of £80 a week, which is enforced through contractual arrangements of the funding authorities. Non-waged apprentices in Scotland are entitled to £55, Wales £50 and Northern Ireland £40 per week. For waged apprentices, the actual amount paid is determined at the local level for 16-18 year olds and older apprentices in their first year.

7. While these minimum guarantees in England have been welcome they are set far too low.

8. Unite is concerned that these minimums do not reflect the hours that apprentices work – the average is 37 hours a week but there is evidence that some work more than 48 hours³.

Enforcement

9. There is no effective enforcement mechanism with the LSC framework. There is evidence⁴ of exploitation in some cases involving very low pay or no pay, and weak or non-existent training. The minimum wage regime is a much stronger and more robust enforcement regime and would be far more appropriate.

National Minimum Wage

10. Unite believes that the National Minimum Wage should be the baseline wage for all workers in the UK regardless of their skill level, age or legal status.

11. Unite accepts the principle that apprenticeships can be paid slightly less than fully trained pay rates while being trained. There is however no

³ Department for Innovation, Universities and Skills (2008), Apprenticeship Pay: 2007 Survey of Earnings by Sector, BMRB Social Research

⁴ Ibid.

justification for this to be at a lower rate than the wage open to unskilled workers not seeking training i.e. the minimum wage.

12. This is especially necessary given that the majority of apprentices would only receive the NMW youth rate if included. Unite believes that this rate is inadequate and undermines the principle of equal pay for work of equal value.

Gender

13. Many employers already pay apprentices above the NMW. Unite members in Construction, Local Authorities, Manufacturing and Engineering report receiving wages that are above the NMW for their age.

14. These are however sectors with a higher percentage of male employees. TUC evidence⁵ shows that the lowest paid apprenticeships are predominantly in the Hairdressing, Retail, Hospitality and Catering, Child care, Health and Social care sectors. It is in these sectors that apprentices are being paid as little as £1.54 an hour.

15. Unsurprisingly these are the sectors that overwhelming employ women workers. Female apprentices are on average paid 26% less than male apprentices – one of the largest gender pay gaps in the economy.

16. This pay gap is replicated within sectors as well as between them. The DIUS survey on apprentice pay reports pay gaps in hospitality (90%), retail (84%), customer services (92%) as well as business and administration (97%). In retail and customer services this gap has been increasing⁶. These findings have been echoed by the Equal Opportunities Commission.

17. Bringing apprentices into the NMW will go some way to addressing this undervaluing and exploitation of mainly young female workers.

⁵ Still more (better paid) jobs for the boys – Apprenticeships and Gender Segregation (TUC)

⁶ DIUS (2008) Apprenticeship Pay: A survey of Earnings by Sector.

Unpaid overtime

18. The DIUS Surveys into apprenticeship pay⁷ highlights that many apprentices were working unpaid overtime. 62% of apprentices worked overtime in 2007. This was up from 57% in 2005. The majority of these claimed to be paid for their time however just under 20% claimed to be unpaid. Apprenticeships where women predominate tend to work more unpaid overtime. In hairdressing the figure is up to 65%.

Incentivising Apprenticeships

19. Unite is supportive of the Government's aim to develop 500,000 quality apprenticeships by 2020. Unite views apprenticeships as a crucial source of vocational education that offers major benefits to young people seeking to gain a career. As Lord Leitch rightly noted they are crucial to the UK's economic future as a highly skilled, high value economy.

20. This must not be another meaningless target. The quality of apprenticeships is at least as important as the number. Apprenticeships need to be high quality and meaningful, leading to genuine job opportunities, securities and skills development.

Completion rates

21. The Apprenticeships Taskforce identified low pay as one of the most significant reasons for non-completion of Apprenticeships⁸. This has also been supported by research from the National Foundation for Educational Research⁹ and the Scottish Government¹⁰.

⁷ DIUS (2008) Apprenticeship Pay: A survey of Earnings by Sector.

⁸ The Apprenticeships Taskforce was an employer led group established by the then Chancellor Gordon Brown to advise on Apprenticeship policy and advocate the Apprenticeship programme

⁹ Spielhofer, T., Nelson, J., O'Donnell, L. and Sims, D. 'The Role of Training Allowances in Incentivising the Behaviour of Young People and Employers' (2006) available at <http://www.dfes.gov.uk/research/data/uploadfiles/RR756.pdf>

¹⁰ Gallacher, J, Whittaker, S, Crossan, B & Mills, V (2004), Modern Apprenticeships: Improving Completion Rates, Scottish Executive Social Research Series 9/2004, available at <http://www.scotland.gov.uk/Resource/Doc/47171/0028784.pdf>

22. This is reinforced by the fact that since the LSC minimum of £80 was introduced completion rates in England have risen faster than in other parts of the UK.

23. To seriously encourage the take up and completion of apprenticeships, apprentices need to be paid at a reasonable level.

Adult apprenticeships

24. Unite has been calling for the development of Adult apprenticeships to NVQ level 3 as age should not be a barrier to learning. There are many adults in society who already have transferable skills that are not being utilised, including those with engineering disciplines from the Manufacturing industry who have suffered redundancies and factory closures.

25. These workers are more likely to have dependencies and financial responsibilities such as mortgages and debts that affect their choices. There is a need for acceptable wages to encourage these workers to take up training and fill much needed skills gaps in the UK economy.

The example of the construction industry

26. Unite is particularly concerned about trends the Construction industry. The Construction industry needs to train and retain 80,000 people each year for the next 5 years according to the CITB. However in a time when the industry is clearly in demand it is unacceptable that out of 50,000 applicants for construction apprenticeships in 2007 only 7,200 apprentices actually succeeded in being placed with employers in the industry.

27. For example only 7 out of 100 construction workers in Scotland are apprentices. In London the figure is 0.9 out of 100 construction workers.

28. With 750 major construction projects already planned over the next 5 years worth £250 billion it should be feasible for more apprentices to each play their part in building the UK construction industry.

29. Most of the UK's major contractors do not train any apprentice, in fact only around 4% of construction companies train apprentices. This is a major reason that there is a skills crisis in the industry.

30. Turning tens of thousands of young people who apply for apprenticeships away is not a sustainable strategy. It is a real tragedy that thousands of young people are coming forward for apprenticeships but there are not enough employers that are prepared to provide the training.

Data and statistics

31. Unite is supportive of the TUC call for the collection of higher quality data about apprentice pay rates. Neither the UK Statistics Authority (SA) Annual Survey of Hours and Earnings (ASHE) or the SA Labour Force Survey (LFS) provide adequate information on apprentices. The former does not collect any data at all on apprentices.

32. The DIUS surveys have provided some welcome evidence however these surveys relate to England only and present their findings in terms of net pay which make it difficult to evaluate in terms of low pay.

33. For evidenced based policy decisions on apprentices there needs to be a better data set available.

Roger Jeary

Director of Research

Unite the Union

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For clarifications and more information please contact:

James Lazou

Research Officer, Unite the Union

Transport House, 128 Theobald's Road, Holborn, London, WC1X 8TN

020 7611 2594

James.Lazou@unitetheunion.com

Low Pay Commission

6th Floor, Kingsgate House

66-74 Victoria Street, London

SW1E 6SW

Catherine.Cornish@lowpay.gov.uk